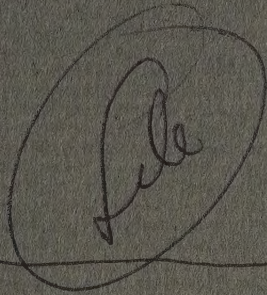


SOQUIP

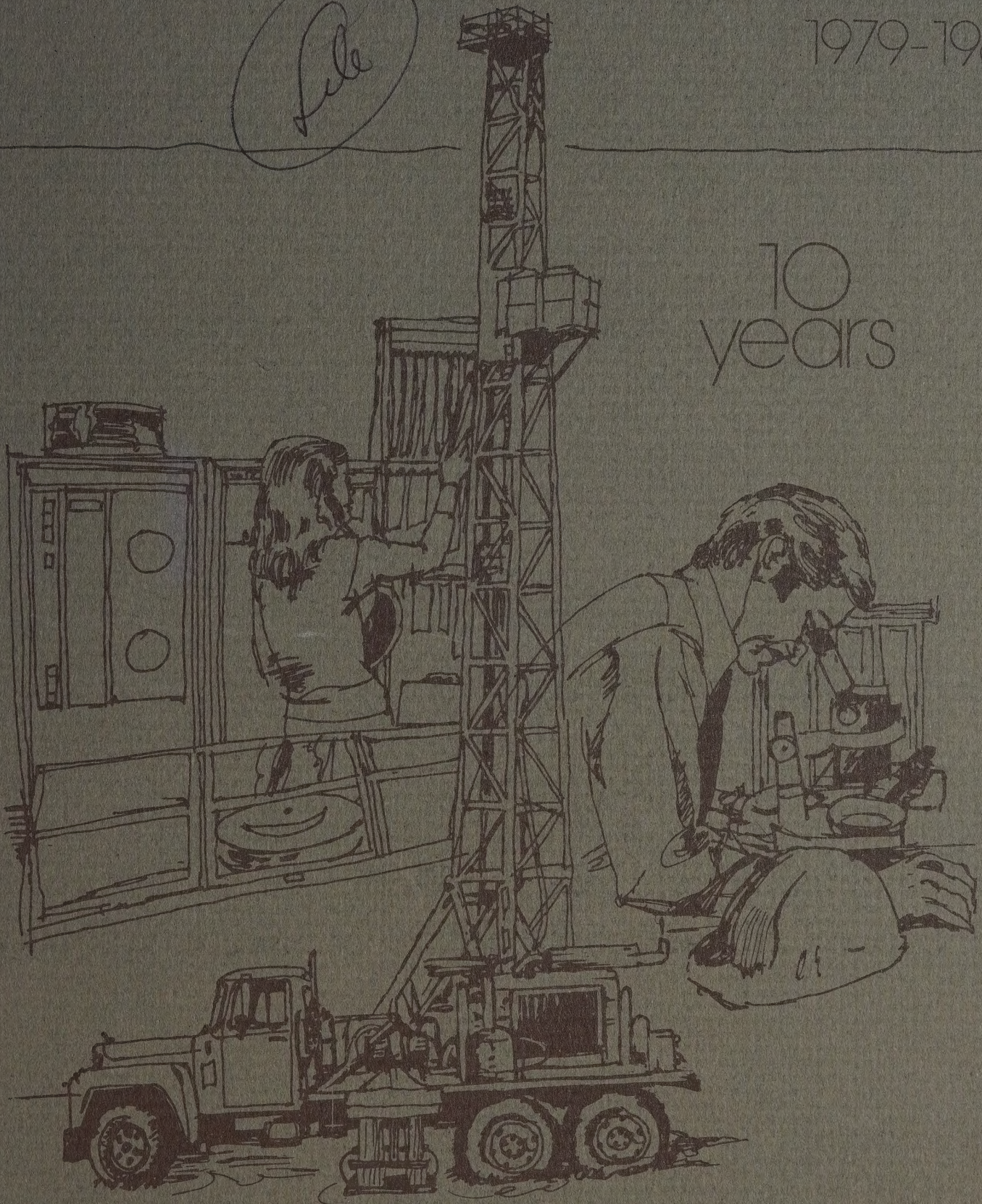
SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES PÉTROLIÈRES

Annual
Report

1979-1980



10
years



AR21 80

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Minister responsible for SOQUIP:

Mr. Yves Bérubé,
Minister of Energy and Resources.

Nominal shareholder:

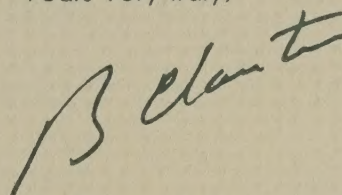
Mr. Jacques Parizeau,
Minister of Finance.

Mr. Yves Bérubé
Minister of Energy and Resources
Gouvernement du Québec

Dear Sir:

In accordance with the provisions of section 20 of the Act governing la Société québécoise d'initiatives pétrolières (R.S.Q., C.S.-22), I respectfully submit the Annual Report of SOQUIP for the fiscal year ended March 31, 1980.

Yours very truly,

A handwritten signature in dark ink, appearing to read "B. Cloutier", written in a cursive style.

Bernard Cloutier,
President and Chief Executive Officer.

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Vice-President
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Fernand Girard
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Jacques Fortier
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Antoine Ayoub
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Chief Executive Officer

Bernard Cloutier

Managing Director, Special Projects

Jacques Plante

Managing Director, Legal and Land

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Title Supervision
Land Surface Titles

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Jean-R. Gagnon
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Managing Director, Exploration

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Geophysics

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Industrial

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President's Statement

Ten years have now passed since the Gouvernement du Québec created SOQUIP and thus gave recognition to the major role of the petroleum industry in the economic development of Québec.

From the outset, SOQUIP was made responsible for fostering initiatives to reduce the cost of energy to the consumer. SOQUIP's mandate therefore covered all aspects of the petroleum industry and priority was given to exploration for and development of the hydrocarbon potential in the sedimentary basins of Québec.

To carry out its mandate, SOQUIP has invested a total of 62.9 million dollars in exploration for oil and natural gas, of which 42.4 million were spent in Québec, 12.5 million in the Maritime Provinces and 8 million in Western Canada. These investments have led to the discovery of a currently producing natural gas deposit of 263 million cubic metres in Saint-Flavien, the acquisition of 2.8 billion cubic metres of natural gas reserves in Western Canada, and participation in a very promising offshore structure southeast of Baffin Island.

As we have now completed ten years of operations, the Annual Report this year includes a review in graphic form of the principal financial and operational elements of SOQUIP's activities since its creation.

During the 1979-1980 fiscal year, SOQUIP was active in projects in Québec, offshore Baffin Island and in Alberta. As well, it initiated agreements of international cooperation and consulting contracts with foreign countries.

Most of SOQUIP's exploration projects were carried out in Québec. Four wells were drilled in the St. Lawrence Lowlands and an evaluation was made of the hydrocarbon potential of last year's drilling operations. Two wells were also drilled in the Gaspé Peninsula.

Offshore Baffin Island, SOQUIP participated with the Aquitaine et al group in the drilling of the Hekja 0-71 well.

In Alberta, SOQUIP participated with some thirty other companies in drilling thirty-one wells in various projects. Eighteen of these wells, or fifty-eight percent, have potential for commercial production of gas or oil.

The study undertaken by SOQUIP and Gas Inter-Cité Québec Inc., to determine the feasibility of a pipeline to bring natural gas to municipalities east of Montreal was completed by the Industrial and Commercial Division of the Company in the last quarter of 1979. To a certain extent, this undertaking has stimulated interest by the private sector in the development of natural gas distribution in urban Québec.

In Saint-Flavien, SOQUIP successfully carried out its plan to market natural gas and made its first delivery on March 31, 1980. Compressed at high pressure in special steel cylinders, the gas is transported by tank trucks designed for this purpose from Saint-Flavien to the plant of the customer, Brique Citadelle Ltée., in Beauport.

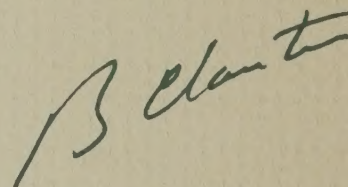
The Industrial and Commercial Division has also begun studies and taken steps to enable SOQUIP to contribute to the sufficiency of Québec's oil supplies through direct purchases from certain oil-exporting countries.

SOQUIP continued to expand its international relations and has created a Special Projects Division in order to respond to requests for technical assistance from other countries. This Division is also responsible for evaluating the potential of a geological structure near Rivière-du-Loup which could be used as an underground reservoir. In addition, SOQUIP has created interest in the formation of a limited partnership to channel funds of Canadian financial institutions operating in Québec leading to a program of exploration in Western Canada.

Towards the end of the fiscal year, SOQUIP's shareholder, the Gouvernement du Québec, appointed professor Antoine Ayoub, Director of Laval University's Groupe de recherche en économie de l'énergie (GREEN), and Mr. Renaud Lapierre, Assistant Deputy Minister of the ministère de l'Énergie et des Ressources, to fill two vacancies on the Board of Directors.

The Board of Directors wishes to thank all members of the staff for their sustained efforts which will enable SOQUIP to meet the challenge of its primary objective which is to ensure the sufficiency of petroleum supplies for Québec in the years ahead.

On behalf of the Board of Directors,



Bernard Cloutier,
President and Chief Executive Officer.

Exploration, Operations and Production

SOQUIP's gross land holdings for exploration and production include 20 107 665 hectares of provincial, federal or freehold permits and leases. After allowing for overlapping of certain federal and provincial permits, the total available exploration surface is 19 091 138 hectares.

If we discount partnership participation, SOQUIP holds 14 565 047 net hectares divided as follows: 13 955 499 hectares in Québec, 456 515 hectares in the Maritime Provinces, 136 600 hectares offshore Baffin Island and 16 433 hectares in Western Canada.

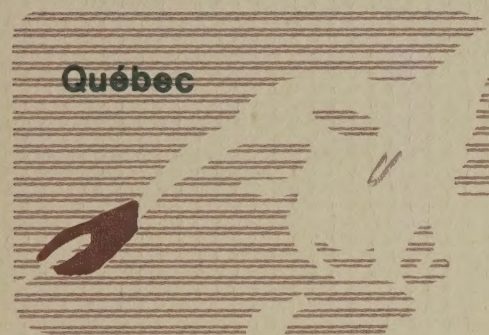
This year SOQUIP participated in drilling activities totalling 56 547 metres.

SOQUIP has an average interest of 98% in the 14 404 metres drilled in Québec, 15% in the 3 269 metres offshore Baffin Island and 14% in the 38 874 metres in Western Canada.

The following summary by region relates to work undertaken during the fiscal year as well as to results obtained.

St. Lawrence Lowlands

Land Holdings



SOQUIP's land holdings:
867 389 gross hectares
846 252 net hectares

In the St. Lawrence Lowlands, SOQUIP abandoned 134 453 hectares during the year and now holds in this region 3 202 freehold leases, 21 exploration permits and one operating lease which cover 867 389 gross hectares as follows:

- On the south shore of the St. Lawrence River and in the vicinity of Trois-Rivières, 9 exploration permits were surrendered and SOQUIP now holds 802 946 hectares in this area.
- SOQUIP acquired an operating lease in the vicinity of Saint-Flavien covering 4 000 hectares.
- In the Pintendre area, Sisque Company Ltd. converted its 45% interest in 6 912 hectares into a 2,5% overriding royalty interest.
- In the northern part of Québec City, SOQUIP retains a 92% interest in 31 728 hectares and PanCanadian Petroleum Limited holds the remaining 8%.

- On Île d'Orléans, SOQUIP farmed out 18 400 hectares in which it holds a 20% interest while the remaining 80% is held by the Sisque Company Ltd.
- In the Notre-Dame du Bon-Conseil area, SOQUIP continues to hold 14 315 hectares subject to royalties to Shell Canada Limited, of which 71,67% belongs to SOQUIP and 28,33% to Dome Petroleum Limited.
- In La Malbaie area, SOQUIP abandoned its underground reservoir research permit covering 6 000 hectares.

Exploration

During the fiscal year, SOQUIP acquired 338 kilometres of land seismic data and interpreted 2 000 kilometres of land seismic data in the St. Lawrence Lowlands.

In addition, SOQUIP drilled four wells in this region for a total of 8 820 metres:

- The SOQUIP Sainte-Croix No. 1 Lotbinière well, drilled to a depth of 1 066 metres, was positioned in the platform zone and passed through two porous zones saturated with water in the Cambrian sandstones (Potsdam Group).
- The SOQUIP Saint-Janvier-de-Joly No. 1 and No. 2 wells were positioned in the internal zone of the St. Lawrence Lowlands a few kilometres west of the Saint-Flavien gas field. The first well, drilled to a depth of 2 812 metres, passed through nine porous zones of dolomites. Results of the drill stem tests indicated that these zones showed good characteristics but were saturated with water. The second well reached a depth of 1 142 metres and involved similar objectives; however, it was drilled in a different geological context and did not encounter the anticipated porous zones.
- The SOQUIP Pintendre No. 1 Lévis well in the internal zone of the St. Lawrence Lowlands, a few kilometres south of the city of Lévis, reached a depth of 4 047 metres, of which 3 800 metres were drilled during the current year.

Gas production tests were made on the SOQUIP Sainte-Françoise-Romaine No. 1 well which was drilled last year and work is presently suspended pending further evaluation.

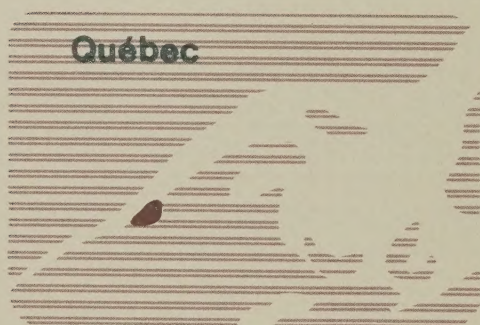
The SOQUIP Shell Saint-Flavien No. 1 (Cèdre) well was re-entered to evaluate reservoirs of the dolomite zones. Work has again been suspended pending evaluation of underground storage potential.

Elsewhere, the results of the stimulation tests of the Beekmantown zone on the SOQUIP Nicolet No. 2 well drilled in 1978 were negative. The small gas flow after acidification and fracturation indicated that the output would not justify commercial development.

During the current fiscal year, SOQUIP also invested 44 man-weeks in wellsite geology in the St. Lawrence Lowlands.

It should be recalled that 263 million cubic metres of Québec's reserves are located in this region in the Saint-Flavien field.

Lower St. Lawrence



Land Holdings

SOQUIP's land holdings:
176 662 gross hectares
176 662 net hectares

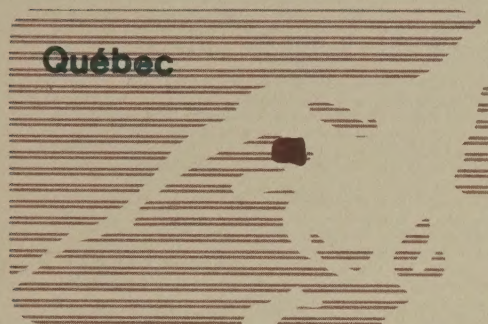
This year, in the Parke area near Rivière-du-Loup, SOQUIP acquired five new underground reservoir permits covering some 80 800 hectares, bringing to 176 662 hectares the total land on which permits are held in this region.

Exploration

As part of an exploration program for underground reservoirs, SOQUIP invested one team-week in a geological survey of the region and also interpreted 30 kilometres of land seismic data.

SOQUIP completed the drilling of the SOQUIP Parke No. 1 well to a total depth of 2 348 metres, of which 2 260 metres were drilled during the year. Several permeable zones were encountered and pumping tests are to be carried out next year. As well, three man-weeks were devoted to wellsite geology.

Gaspé Peninsula



Land Holdings

SOQUIP's land holdings:
218 000 gross hectares
211 532 net hectares

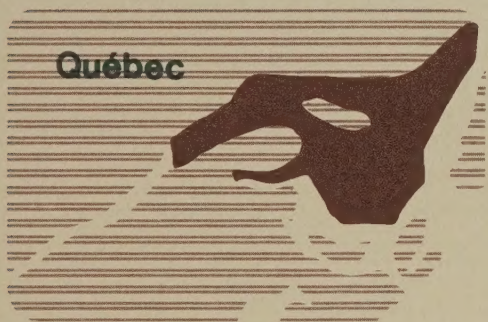
In this region, SOQUIP holds 100% of 199 160 hectares and 10 000 hectares are held jointly with American Ultramar Limited. Elsewhere, SOQUIP farmed out 20% of its interest in 8 840 hectares to Aquitaine Company of Canada Ltd. During the year, two exploration permits covering 32 000 hectares expired.

Exploration

During the year, SOQUIP invested one team-week in geological surveys and interpreted 400 kilometres of land seismic data in the Gaspé Peninsula.

Two wells were drilled in the Gaspé Peninsula: SOQUIP et al Blanchet No. 1 to a depth of 1 332 metres and SOQUIP Douglas No. 1 to a depth of 1 992 metres. Both wells proved to be dry and were therefore plugged and abandoned. As well, 15 man-weeks were devoted to wellsite geology in this region.

Gulf of St. Lawrence



Land Holdings

SOQUIP's land holdings:
14 552 799 gross hectares
12 721 053 net hectares

In the Gulf of St. Lawrence region, SOQUIP's gross land holdings is as follows:

– St. Lawrence Estuary project:

In this region, SOQUIP holds 100% of 10 876 501 hectares under Québec permits.

– Central Gulf of St. Lawrence project:

In this region, SOQUIP and Amoco Canada Petroleum Company Ltd. each hold an equal share of Québec provincial rights on 2 081 104 hectares.

– Îles de la Madeleine project:

Offshore and on the Îles de la Madeleine, SOQUIP and SAREP (the Société Acadienne de Recherches Pétrolières Ltée – Texaco Exploration Ltd.) jointly hold provincial permits totalling 1 381 764 hectares.

– Île d'Anticosti project:

Provincial permits covering an area of 213 430 hectares situated on the eastern tip of Île d'Anticosti are held jointly by SOQUIP (53%), Scurry-Rainbow Oil Limited (37%), and PanCanadian Petroleum Limited (10%).

Exploration

Apart from the experimental seismic reflexion survey involving 68 kilometres in the St. Lawrence Estuary and the re-interpretation of 1 600 kilometres of marine seismic data relating to the area around les Îles de la Madeleine, no other exploration activity was carried out in the Gulf of St. Lawrence.

Maritime Provinces



Land Holdings

SOQUIP's land holdings:
1706 594 gross hectares
456 515 net hectares

For purposes of petroleum legislation, the territory in this region is subject to the administrative jurisdictions of the Federal Government and the governments of Nova Scotia and Prince Edward Island. SOQUIP's land holdings are subject to two agreements.

– Prince Edward Island project:

At the beginning of the 1979-80 fiscal year, SOQUIP, Hudson's Bay Oil and Gas Company Limited and Petrofina Canada Ltd. each held a 28,5714% interest and Getty Oil (Canada) Ltd. a 14,2858 % interest in this project.

After farming out 55% of their interests in this project, the holdings are now as follows: SOQUIP and Hudson's Bay Oil and Gas Company Limited hold 15,3571% each, Petrofina Canada Ltd. and Getty Oil (Canada) Ltd., 7,1429% each, DEB Hydrocarbons Limited, 36,1111%, Conventures Limited, 10,5556%, and Tripet Resources Limited, 8,3333%.

SOQUIP's present land holdings in this project cover 747 504 hectares under Prince Edward Island permits, 645 908 hectares under Nova Scotia permits and 1 131 834 hectares under Federal Government permits.

– Sydney Basin project:

During the year, 617 472 hectares under certain Nova Scotia provincial permits were abandoned on their expiry dates.

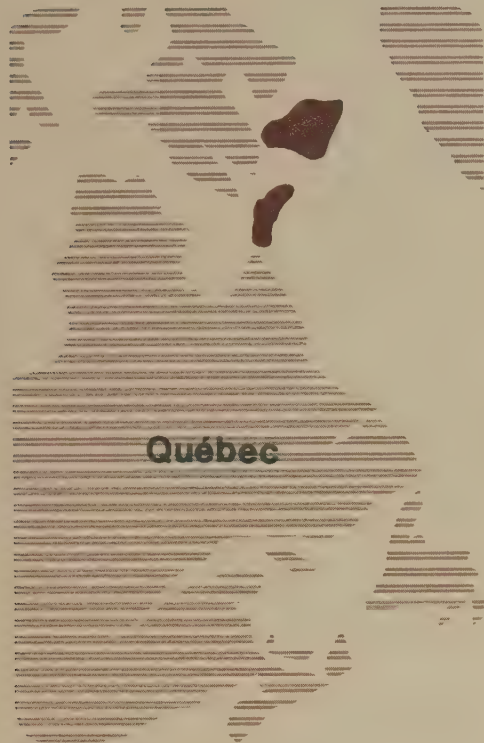
In this project, SOQUIP is associated with Murphy Oil Company Ltd., Petro-Canada Exploration Inc., Francana Oil & Gas Ltd., L.L. & E. Canada, Ltd., Husky Oil Operations Ltd., CNG Development Company Ltd. and Candex Development Limited. SOQUIP holds a 12,2512% interest in 110 592 hectares under provincial permits and in 23 537 hectares under federal operating leases as well as a 5% interest in 55 296 hectares under provincial permits and 8 450 hectares under federal operating leases.

Exploration

During the year, SOQUIP undertook with the HBOG et al group to participate in the drilling of two exploratory wells in the Maritime Provinces.

These wells will make possible the evaluation of sandstone reservoirs in two adjacent salt structures (East Point and Beaton Point) located a short distance offshore, northeast of Prince Edward Island. The East Point prospect has already been drilled and production tests reveal a flow rate of 156 000 cubic metres per day with formation water. The second drilling at this location will allow us to better evaluate the hydrocarbon potential of the structure. The projected depths of the wells are 2 590 metres for East Point and 1 680 metres for Beaton Point.

Labrador Sea



Land Holdings

SOQUIP's land holdings:
1 443 842 gross hectares
136 600 net hectares

During the year, the total gross hectares of SOQUIP's land holdings in this region remained unchanged. However, the total net hectares in which SOQUIP participated was increased to 136 600 hectares.

Following the drilling of the Hekja 0-71 well and under the terms of an agreement with Aquitaine Company of Canada Ltd., Petro-Canada Exploration Inc., Home Oil Company Limited, PanCanadian Petroleum Limited and Hudson's Bay Oil and Gas Company Limited, SOQUIP increased its interest from 2,5% to 15% in a block of 804 032 gross hectares and retained its 2,5% interest in a second block of 639 810 hectares.

Exploration

SOQUIP acquired 400 kilometres of marine seismic data and completed the interpretation of 285 kilometres of marine seismic data in the region.

Also, during the summer of 1979, SOQUIP participated in the offshore drilling of the Aquitaine et al Hekja 0-71 well located some 80 kilometres off the south-east coast of Baffin Island. An interval of hydrocarbon bearing sandstone of 55 metres was penetrated but further work and testing could not be carried out before the end of the drilling season.

The present depth of this well is 3 269 metres and we expect to reach a total depth of 4 700 metres during the next drilling season.

Yukon and Northwest Territories



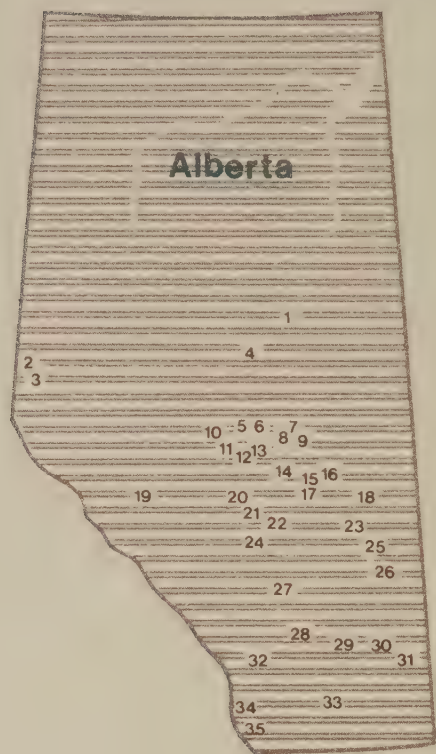
Land Holdings

SOQUIP's land holdings:
6 897 gross hectares
690 net hectares

In the La Biche region, on the border dividing the Yukon and the Northwest Territories, SOQUIP holds a 10% interest in land designated as Block A under a farmout agreement with PanCanadian Petroleum Limited.

Exploration

No exploration activity was carried out in this region.



LEGEND:
GAS INITIATIVES VENTURE ●
CAMEL JOINT VENTURE ■
OTHER PROJECTS ▲

- 1 FRANCIS ▲
- 2 NOSE CREEK ●
- 3 SHERMAN FLATS ●
- 4 CHISHOLM ●
- 5 MAJEAU LAKE ●
- 6 ALEXANDER ●
- 7 SOUTH REDWATER ■
- 8 EDMONTON EAST ■
- 9 ELK ISLAND ▲
- 10 SHINING BANK ●
- 11 CARROT CREEK NORTH ●
- 12 HOLBURN ●
- 13 HOLBURN EAST ●
- 14 EDMONTON SOUTH ■
- 15 SOUTH BEAVERHILL LAKE ■
- 16 BRUCE ■
- 17 JOARCAM ■
- 18 HAWKINS ■
- 19 THISTLE ●
- 20 HOADLEY ▲
- 21 GULL LAKE ●
- 22 CLIVE ●
- 23 THOMPSON LAKE ■
- 24 PENHOLD ●
- 25 NORTH PROVOST ■
- 26 SEDALIA ■
- 27 CARBON ●
- 28 BLACKFOOT ●
- 29 BANTRY ●
- 30 TWIN PEAKS ▲
- 31 TIDE LAKE ▲
- 32 MILLER ●
- 33 BARNWELL ●
- 34 LUNDBRECK ●
- 35 WATERTON ●

SOQUIP's land holdings:
118 955 gross hectares
15 743 net hectares

Under the agreement with Camel Resources Ltd., several options were exercised following the farmout with Amoco Canada Petroleum Company Ltd., thus increasing SOQUIP's gross land holdings to 20 795 hectares. This acquisition brings the total gross land holdings to 42 632 hectares and total net hectares held by SOQUIP to 6 556.

Under the agreement between SOQUIP and 95319 Oil and Gas Ltd., land holdings remain unchanged at 1 688 gross hectares, of which 717 hectares represent SOQUIP's net share.

Under the agreement between SOQUIP and Mesa Petroleum (N.A.) Co. (now the SOQUIP and Dome Petroleum Limited agreement following the purchase of Mesa Petroleum (N.A.) Co. by Dome Petroleum Limited), a lease acquired during the year increased land holdings from 9 088 to 9 600 gross hectares. SOQUIP now holds 3 661 net hectares in this project.

SOQUIP retains its 33,33 % interest in the Gas Initiatives Venture in which Algas Mineral Enterprises Ltd. and Many Islands Pipe Lines Limited are partners. The land holdings of this partnership consist of 60 427 gross hectares representing 14 427 net hectares. SOQUIP's interest represents 4 809 net hectares.

In accordance with the provisions of a royalty agreement with Oakwood Petroleums Ltd., SOQUIP holds a 4% overriding royalty interest in gas produced from the Tide Lake region which covers 4 608 hectares.

Exploration

Along with its partners, SOQUIP acquired 92 kilometres of seismic data in the Alberta regions of South Beaverhill Lake and Sherman Flats. As well, SOQUIP interpreted 74 kilometres of seismic data.

In association with other partners, SOQUIP also participated in the drilling of 31 wells of which 17 have potential for commercial gas production, one has potential for commercial oil production and 13 were dry holes. In all, 38 874 metres were drilled.

The wells drilled are as follows:

- Gas Initiatives Venture:
 - 2 in Penhold
 - 2 in Bantry
 - 1 in Clive
 - 4 in Chisholm
 - 1 in Holburn
- Dome-SOQUIP Association:
 - 1 in Hoadley
- Camel Resources Ltd. Group:
 - 2 in Joarcam
 - 8 in South Beaverhill Lake
 - 8 in Edmonton South
 - 2 in Edmonton East

With respect to gas reserves in Alberta, SOQUIP's total volume of established reserves increased from 1 447 to 2 572 million cubic metres and total established and probable reserves rose from 2 566 to 2 862 million cubic metres.

Developments since last year were due principally to activity in the Hoadley region. The drilling of several new wells helped to define the geometry of the reservoir in this region and confirmed the presence of additional gas reserves resulting in an increase in SOQUIP's share from 760 to 1 914 million cubic metres.

Production

Together with other oil companies, SOQUIP continued to develop its deposits in Alberta during the year. Annual gross production of natural gas reached 148 427 200 cubic metres of which 18 509 500 cubic metres represented SOQUIP's share before royalty payments. Due to weak demand, sales of gas were below the production capacity level.

The wells in the Twin Peaks region, operated by SOQUIP for the SOQUIP - 95319 Oil and Gas Ltd. partnership, produced a total of 31 478 700 cubic metres of natural gas of which 11 358 100 cubic metres represented SOQUIP's net share.

Under the Gas Initiatives Venture, operations were also carried on during the year. Wells in the Bantry area produced 17 249 000 cubic metres of natural gas and 109,8 cubic metres of oil of which 2 443 700 cubic metres of gas and 12,1 cubic metres of oil were SOQUIP's share. In the Carbon area, 93 000 800 cubic metres of gas and 3 548,2 cubic metres of condensate were produced of which 3 707 100 cubic metres of natural gas and 203,1 cubic metres of condensate represented SOQUIP's share. One well in the Clive area produced 85 cubic metres of oil, of which 26,7 cubic metres were SOQUIP's share.

In the Hawkins area, three wells were brought into production by the Camel Resources Ltd. Group. A total of 4 077 000 cubic metres of natural gas was produced, of which 566 900 cubic metres represented SOQUIP's share. A new well in the Bruce area produced 2 621 700 cubic metres of gas, of which 433 700 cubic metres represented SOQUIP's share.

Industrial and Commercial Activities

The feasibility study initiated in 1978 on the distribution of natural gas by pipeline in the city of Québec was extended this year in association with Gaz Inter-Cité Québec Inc. to pursue the study in other municipalities in Québec not covered by the Montreal franchise. Upon completion of this study in the last quarter of 1979, SOQUIP sold its interest to Gaz Inter-Cité Québec Inc.

Since the discovery of the Saint-Flavien natural gas deposit, 48 kilometres west of Québec City, various marketing methods were considered by the Industrial and Commercial Division. As no

gas pipeline existed in this region, SOQUIP had to find some other means of bringing this natural resource to market. The decision was taken to compress the gas and to distribute it in that form. On March 31, 1980, SOQUIP made its first delivery to Brique Citadelle Ltée in Beauport and undertook to supply the client for a period of five years.

Adoption of this new technology required an investment of 1.5 million dollars principally for tank trucks with steel cylinders specially designed for transportation of the compressed natural gas, and for the construction of a

compression station on the well site and an unloading ramp at the client's factory.

This marketing method, as well as being profitable to SOQUIP, launches a new technology in the field of natural gas transportation and helps develop one of Québec's natural resources. In addition, it could become a valuable tool in opening up new markets beyond the limits of zones to be served by the distribution network soon to be under construction in Québec. It will also permit SOQUIP to evaluate the capacity of discovered deposits.

The realization of this project therefore represents an important achievement by SOQUIP and the first of its kind in Canada.

Special Projects

In June 1979, SOQUIP created a Special Projects Division, primarily in response to an increasing demand for technical assistance from foreign countries and also to undertake projects beyond those normally associated with exploration for and production of oil and gas. Consequently, the activities of this Division are international as well as national.

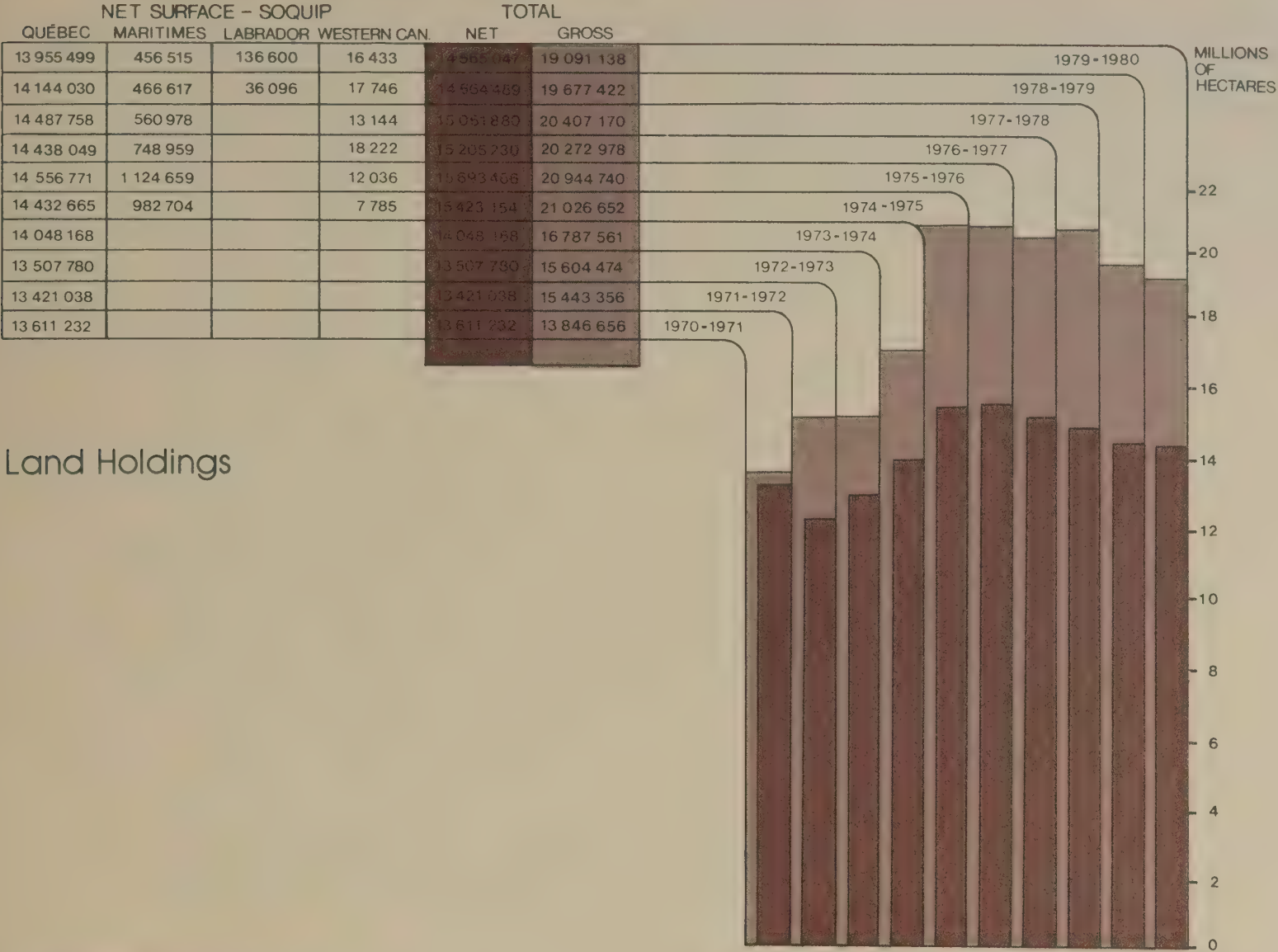
On the international level, through its program of technical assistance to foreign countries, the work of this Division is accomplished through the know-how of SOQUIP's specialists and either through technical agreements relating to the formation of specialized personnel or exploration work. Thus, either through government delegations in

collaboration with the ministère des Affaires intergouvernementales or through United Nations development programs, SOQUIP undertook projects in the Republic of the Congo, in Guinea-Bissau and in Equatorial Guinea, and also in Haïti and Madagascar where respectively 135 and 1725 kilometres of marine seismic data and geological data were interpreted. In certain cases, countries were contacted directly, as for example in South America where SOQUIP worked as a member of a consortium with other consulting firms from Québec.

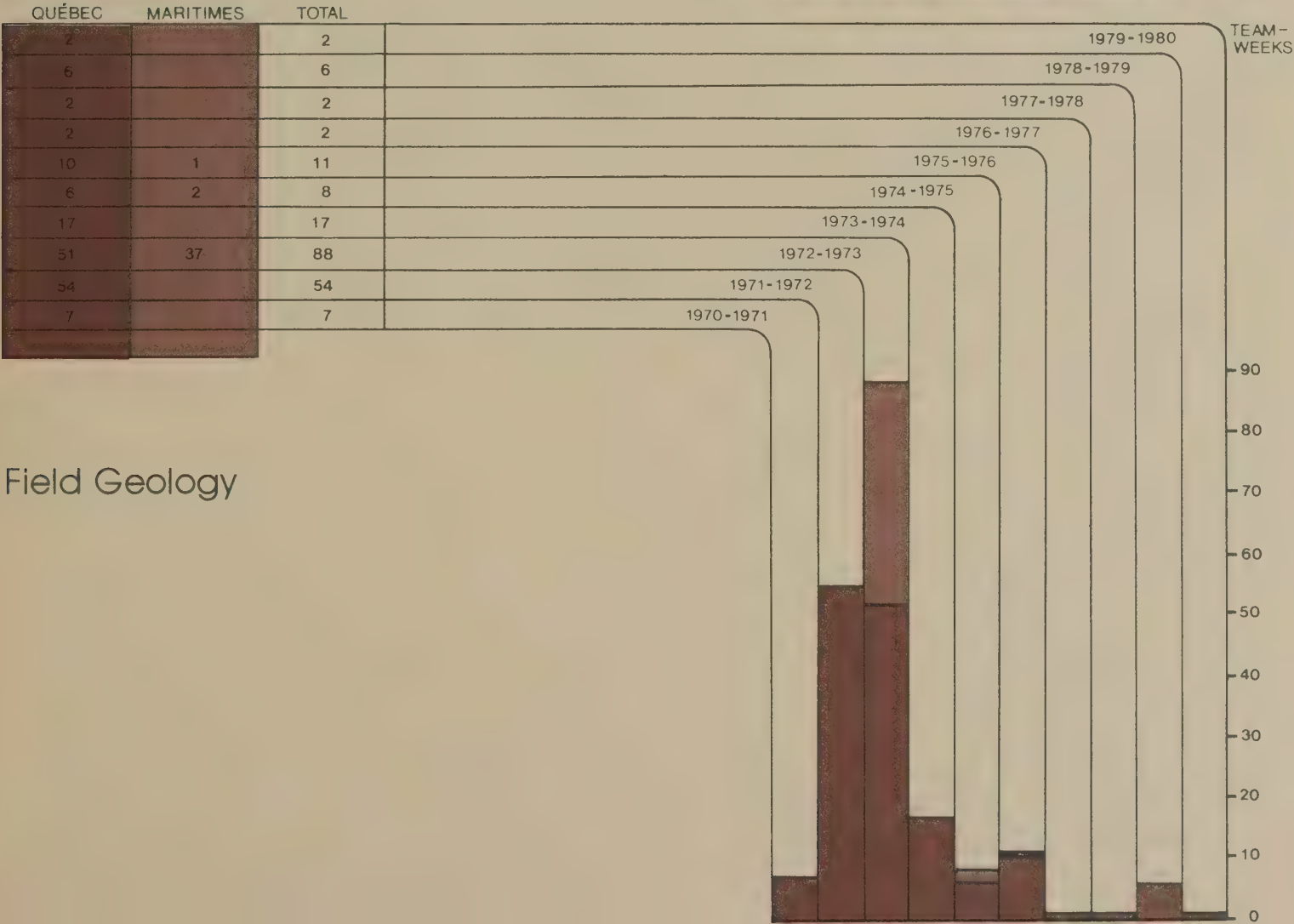
On the national level, in early 1980, this Division prepared the groundwork for a program of private investment in petroleum exploration. The program shall be launched officially early in the next fiscal year.

In collaboration with Québec's ministère de l'Énergie et des Ressources and SOQUIP's Industrial and Commercial Division, the Special Projects Division is sponsoring a study on the feasibility of an underground reservoir for the storage of natural gas at Parke which could be an important factor in developing a liquified natural gas deep sea port at Gros Cacouna and for its application to the projected pipeline beyond Montreal. The Division is also pursuing exploration work and examining the technical and economic feasibility of such a reservoir.

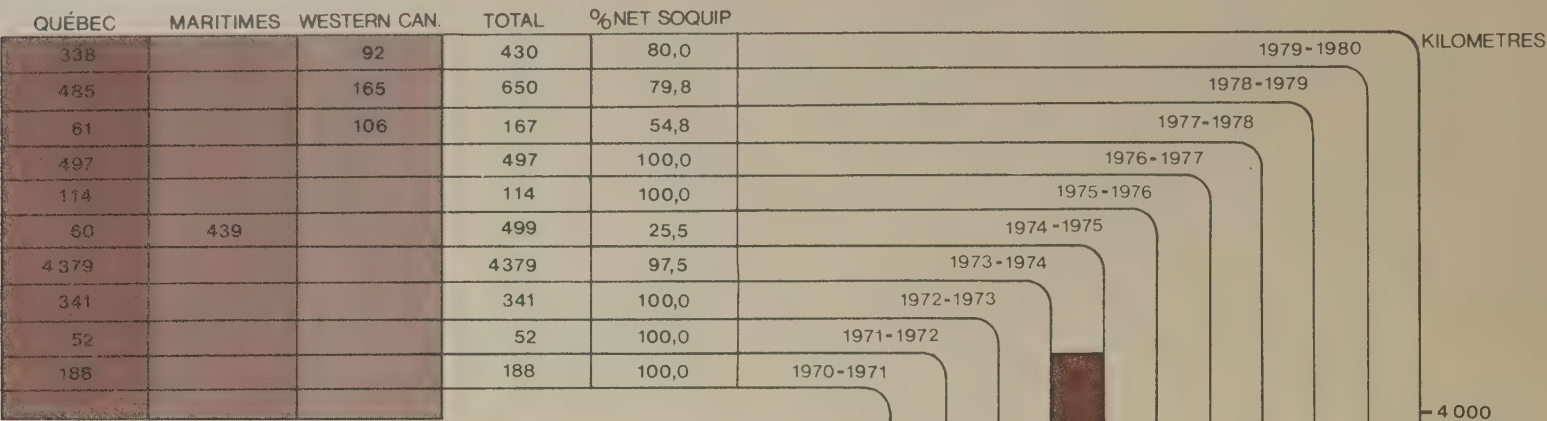
Statistical Review



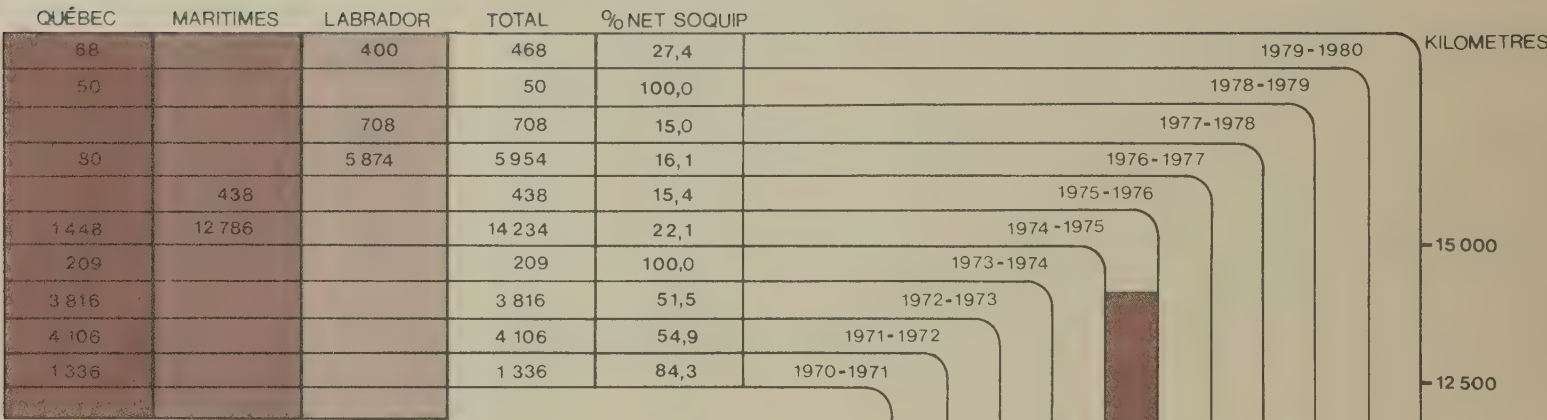
Land Holdings



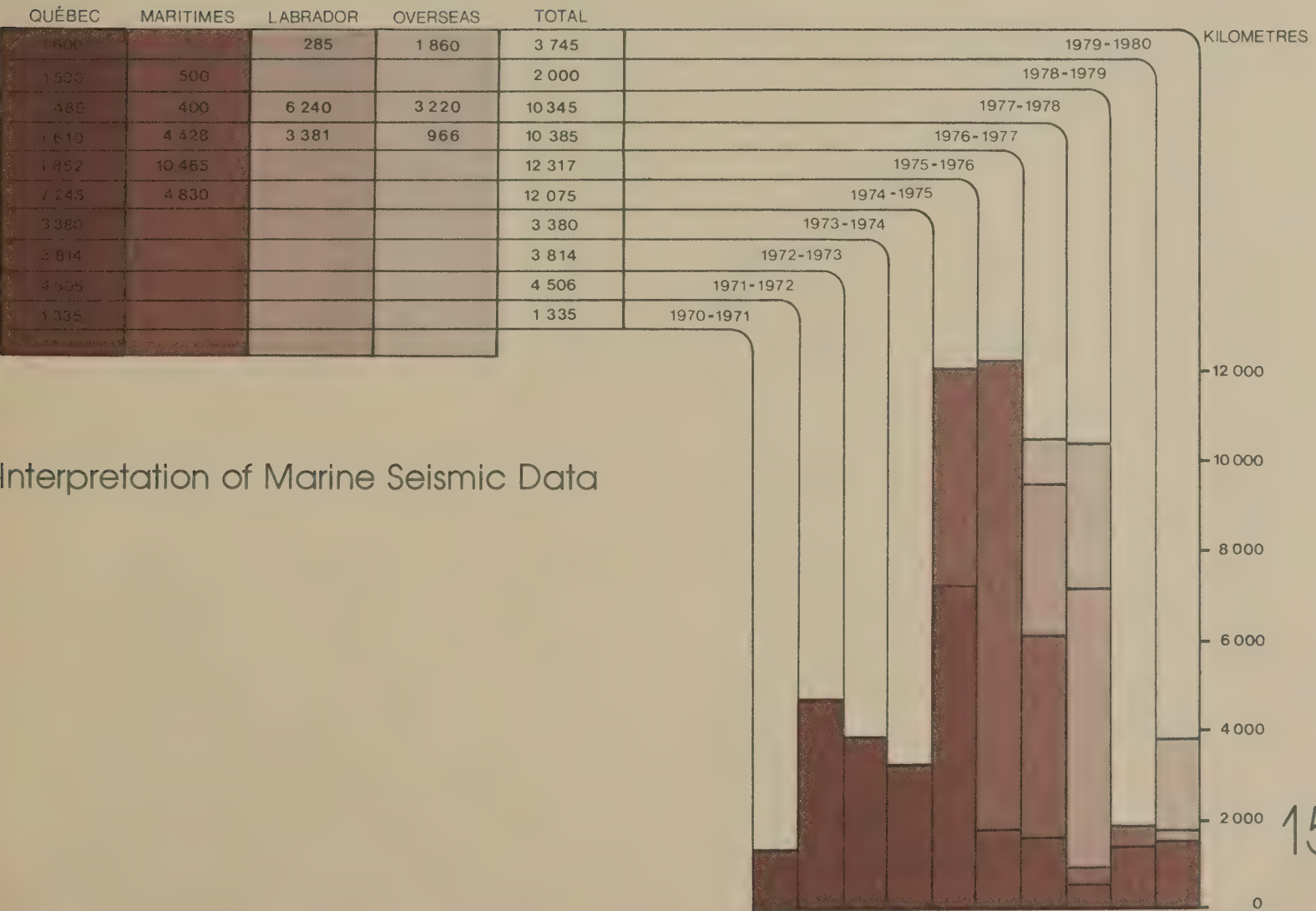
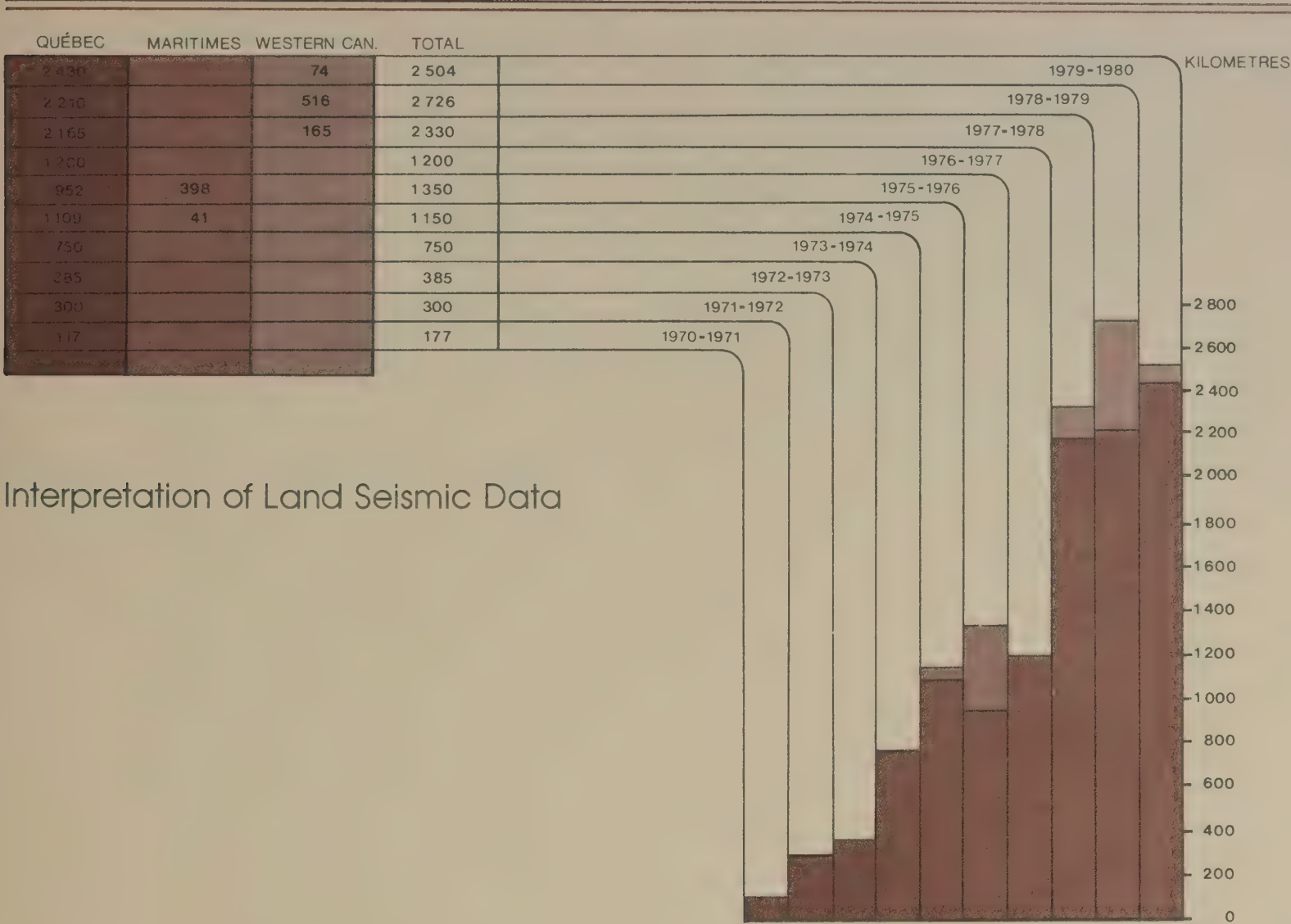
Field Geology

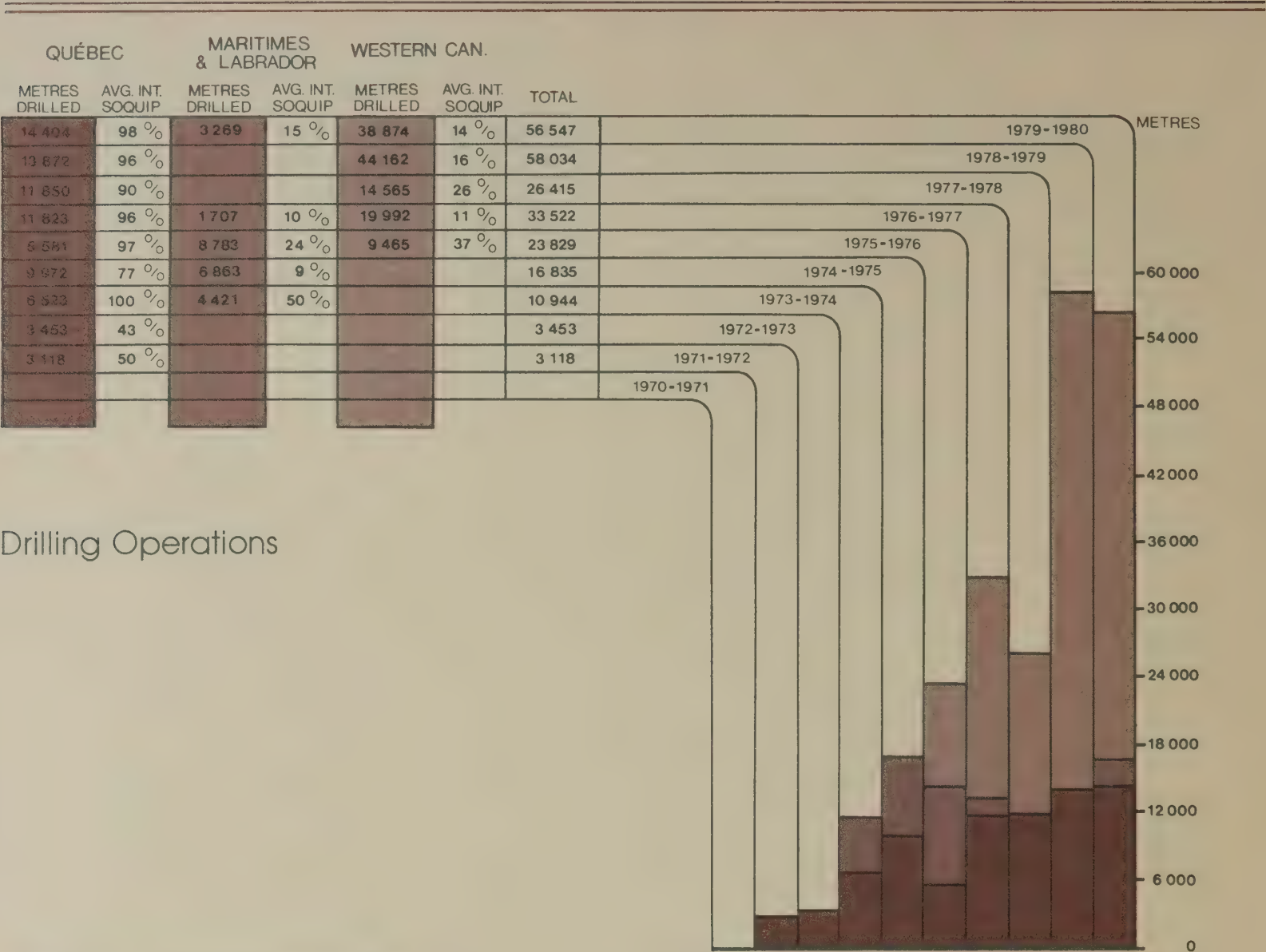


Acquisition of Land Seismic Data

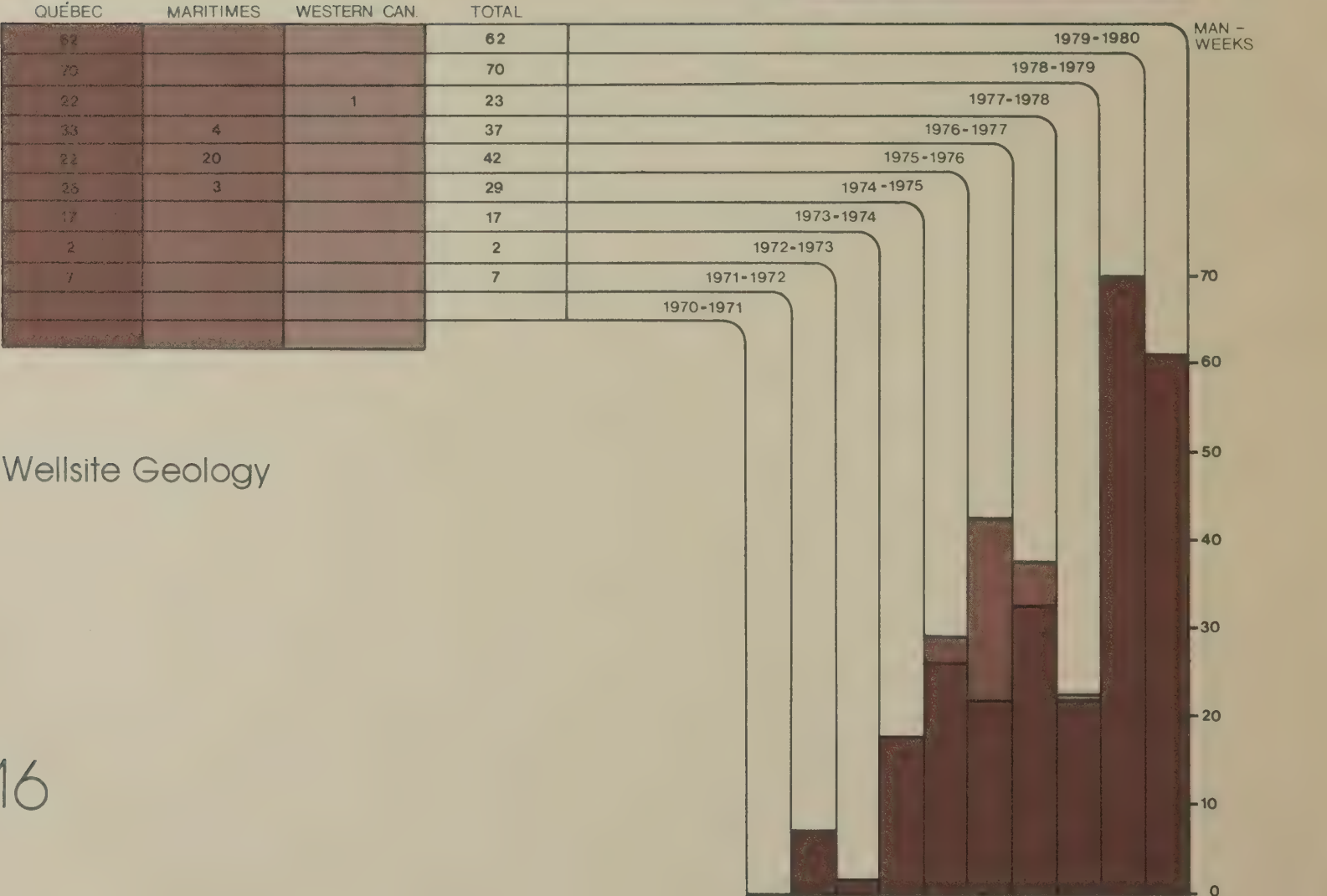


Acquisition of Marine Seismic Data





Drilling Operations



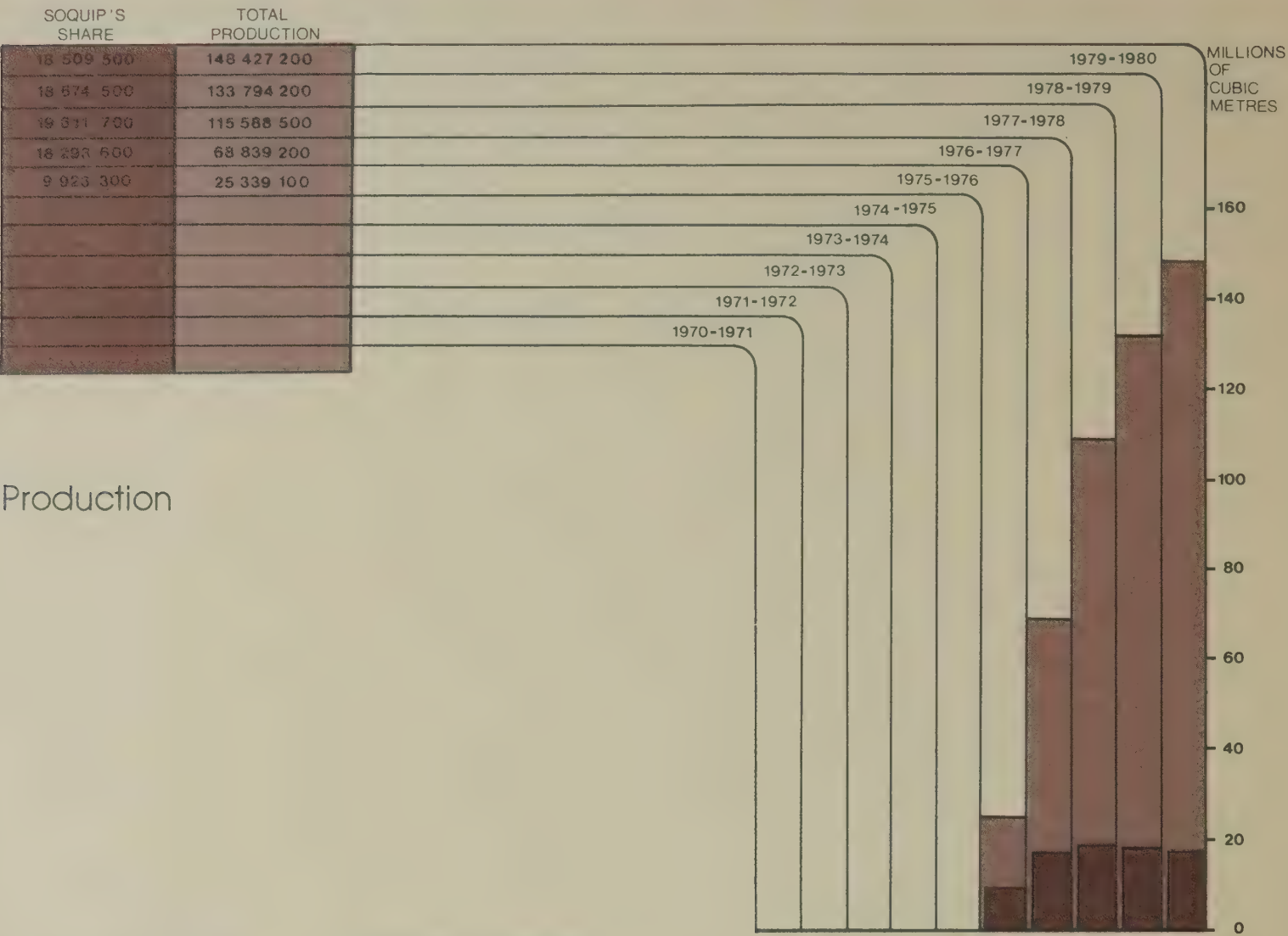
MAN - WEEKS

Wellsite Geology

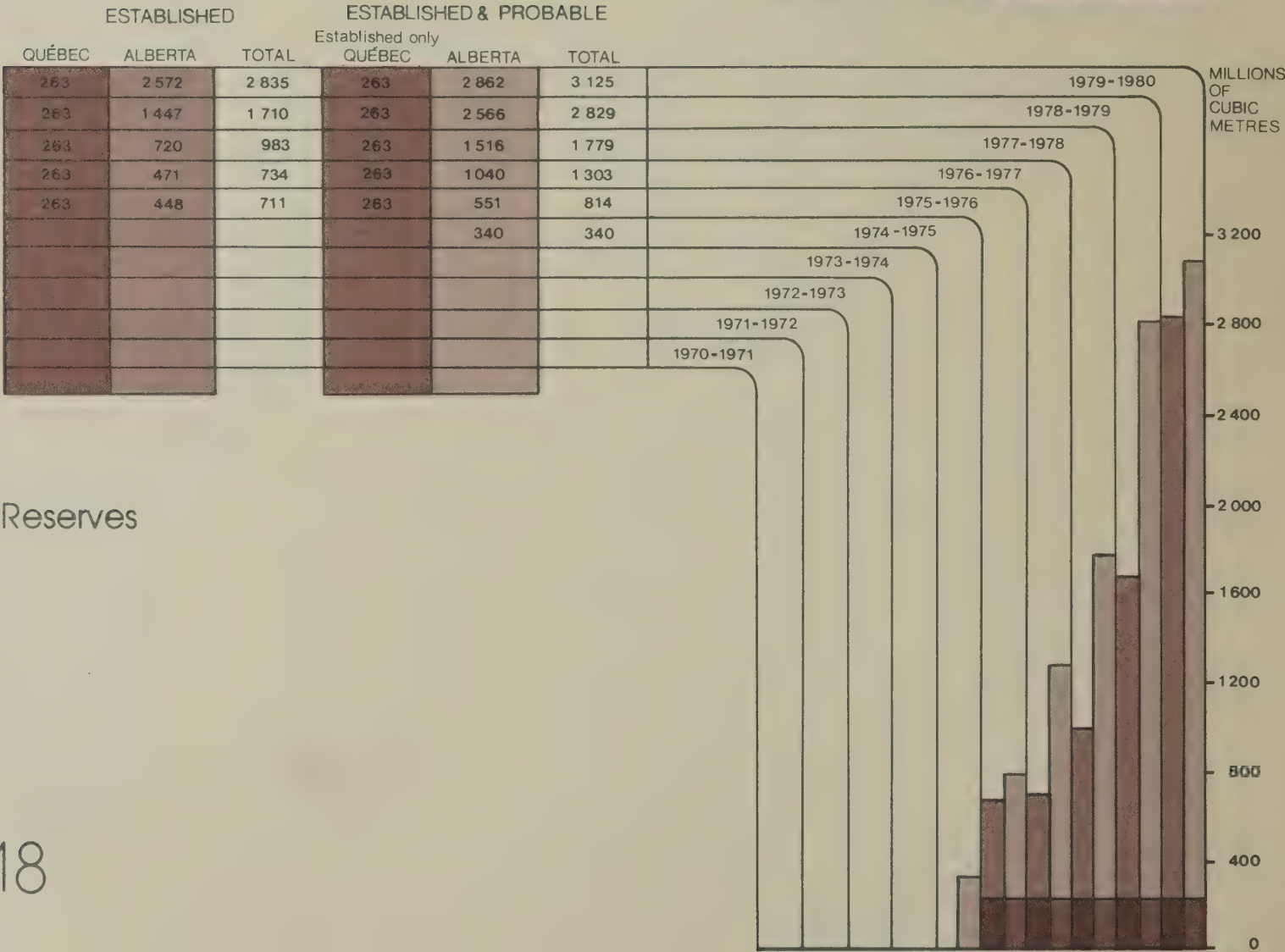
WELLS DRILLED	METRES DRILLED	SOQUIP's INTEREST
QUÉBEC		
SOQUIP Sainte-Croix N° 1 Lotbinière	1 066	100.0
SOQUIP Saint-Janvier-de-Joly N° 1	2 812	100.0
SOQUIP Saint-Janvier-de-Joly N° 2	1 142	100.0
SOQUIP Pintendre N° 1 Lévis	3 800	100.0
SOQUIP Parke N° 1	2 260	100.0
SOQUIP et al Blanchet N° 1	1 332	75.0
SOQUIP Douglas N° 1	1 992	100.0
	14 404	

LABRADOR		
Hekja 0-71	3 269	15.0

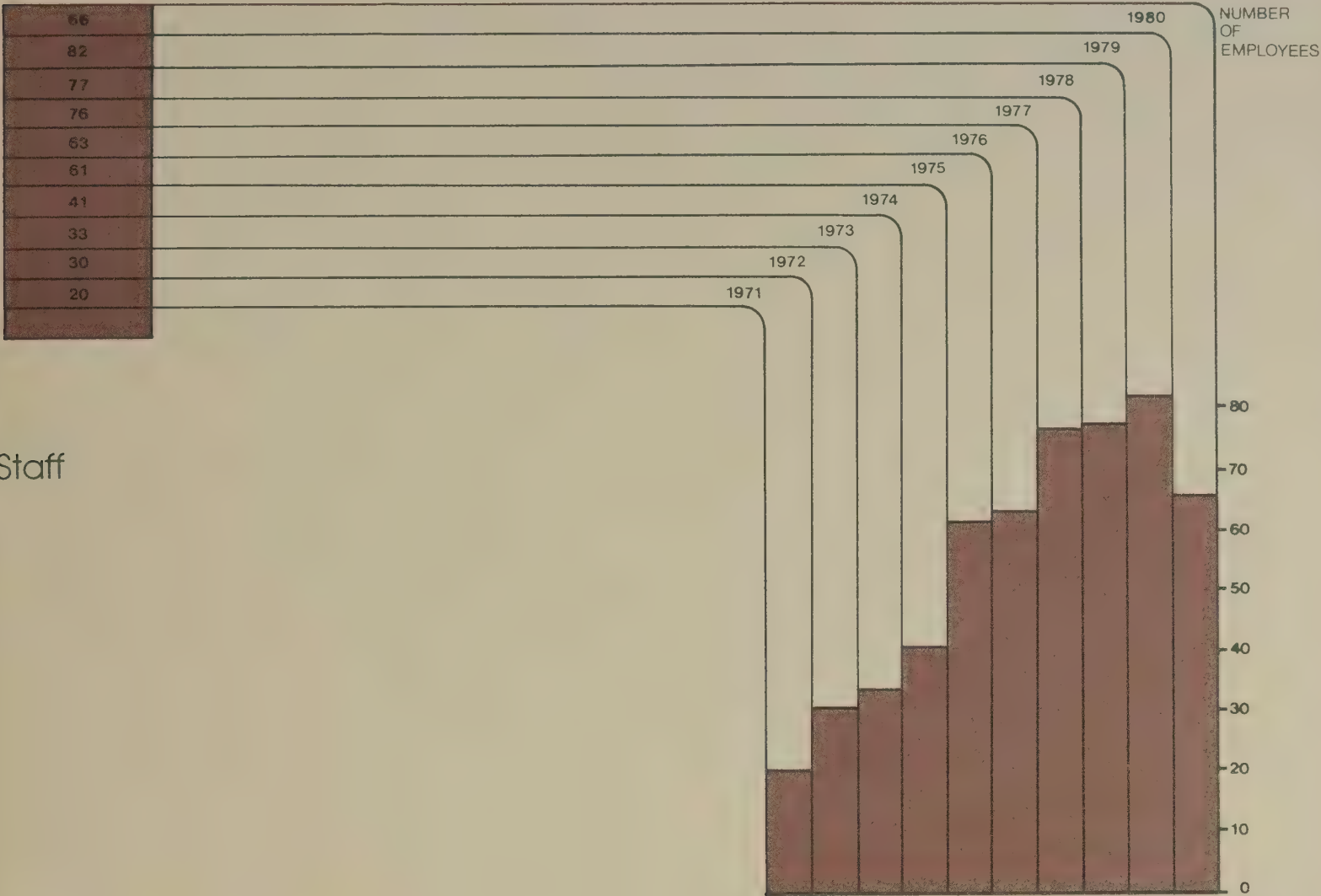
ALBERTA			
Lario et al Penhold	3- 4-37-28W4	1975	16.7
Lario et al Penhold	10- 3-37-28W4	1985	8.3
Algas et al Bantry	10- 19- 19-13W4	1037	12.5
Algas et al Bantry	4- 15- 19-14W4	895	33.3
GIVL Clive	6- 7-40-24W4	1697	33.3
Chiefco et al Rourke	11-26-69- 1W5	727	6.7
Chiefco et al Rourke	12-12-69- 1W5	775	6.7
Chiefco et al Rourke	3-14-69- 1W5	756	6.7
Chiefco et al Rourke	11-25-69- 1W5	751	6.7
CCOL Algas Bright	5- 8-51- 2W5	1507	6.3
Sundance et al Minhik	6-24-44- 4W5	2069	100.0
Camel Luscar et al BVHL	7- 9-50-18W4	1028	10.0
Luscar et al BVHL	12-16-49-18W4	1034	8.0
Camel Luscar et al BVHL	6-13-49-18W4	1111	10.0
Luscar et al Kingham	3-12-49-19W4	1090	8.0
Luscar et al BVHL	7-20-49-18W4	1102	8.0
Luscar Camel et al BVHL	7-15-49-18W4	1020	7.4
Luscar et al BVHL	10-18-49-19W4	1120	8.0
Luscar Camel et al BVHL	7- 6-49-19W4	1165	8.0
Luscar et al Demay	7-28-48-19W4	1206	8.0
Luscar et al Dinant	6-13-47-19W4	1173	7.8
Camel Leduc	8-32-49-25W4	1386	20.0
Camel et al Bitt	11-10-47-23W4	1422	20.0
Camel et al Furness	6-16-48-23W4	1462	20.0
Camel et al Furness	7-32-48-23W4	1420	20.0
Camel et al Leduc	3-11-49-25W4	1452	20.0
Camel et al Leduc	6-34-48-25W4	1473	20.0
Camel et al Millet	7-29-47-24W4	1449	20.0
Camel et al White Mud	6-14-51-25W4	1323	20.0
Camel et al Chamberland	12- 8-54-23W4	1133	20.0
Camel et al Bremner	16- 6-53-22W4	1131	20.0
		38874	



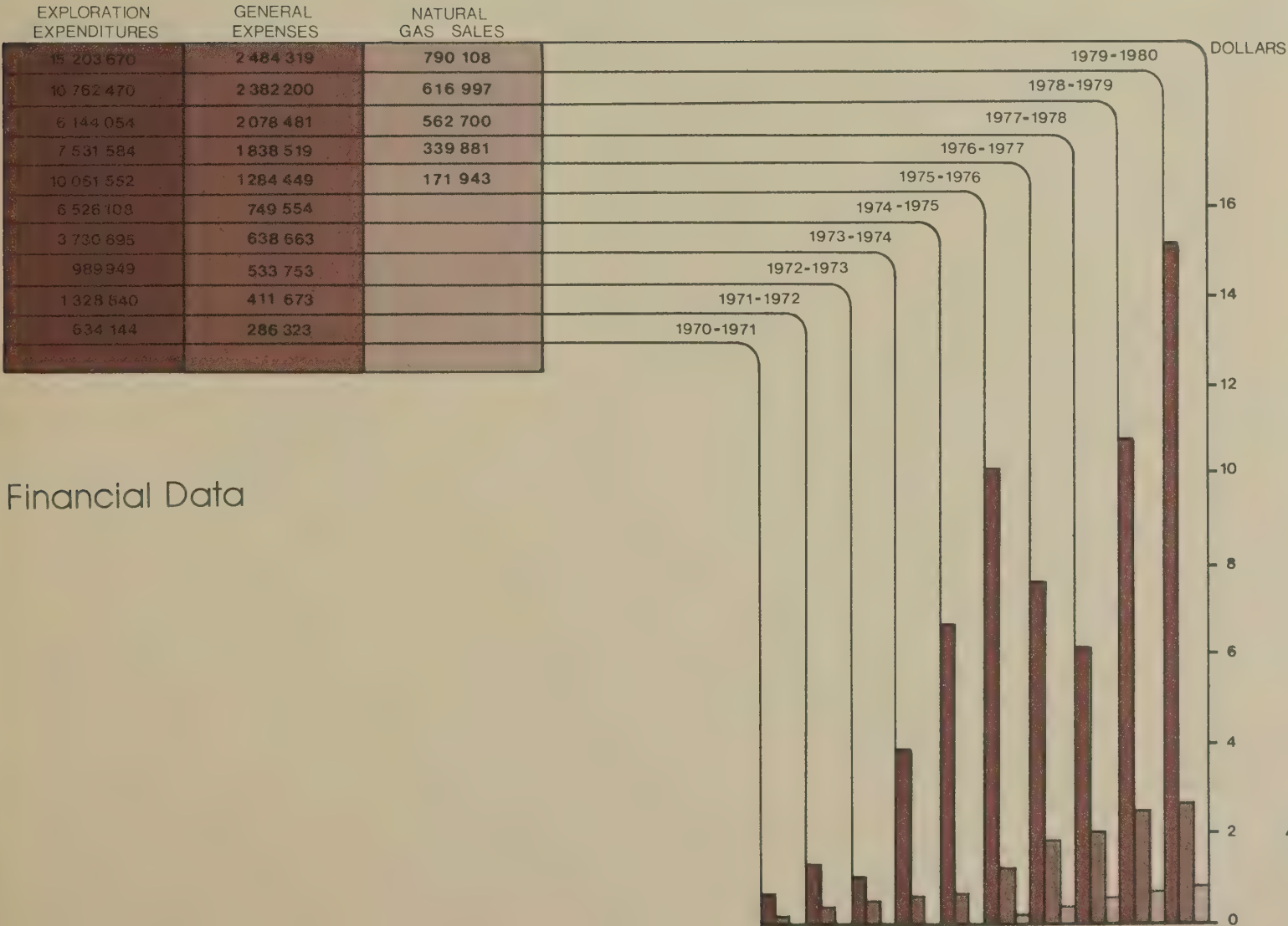
Production



Reserves



Staff



Financial Data

Balance Sheet as at March 31, 1980

ASSETS

	1980	1979
	\$	\$
CURRENT ASSETS		
Cash	547 601	345 435
Term deposits and accrued interests	4 068 847	5 374 178
Accounts receivable	969 111	461 104
Inventory of drilling supplies — at cost	771 003	1 397 303
Subscribed share capital receivable (note 3)	9 800 000	13 600 000
	16 156 562	21 178 020
SUBSCRIBED SHARE CAPITAL RECEIVABLE (note 3)	15 000 000	24 800 000
PETROLEUM AND NATURAL GAS PROPERTIES — at cost		
Rights and exploration expenditures	70 145 314	54 766 938
FIXED ASSETS — at cost		
Lands, warehouses and equipment	2 576 188	1 039 122
Less accumulated depreciation	480 533	384 970
	2 095 655	654 152
	103 397 531	101 399 110

Auditor's Report

I have examined the balance sheet of Société québécoise d'initiatives pétrolières — SOQUIP as at March 31, 1980 and the statement of rights and exploration expenditures capitalized to petroleum and natural gas properties and the statement of changes in financial position for the year then ended. I have obtained all the information and explanations I have required. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

As disclosed in the accounting policies described in note 2, the Company is in the exploration stage. It capitalizes to petroleum and natural gas properties all its expenses and deducts therefrom its sundry income. As at March 31, 1980 the Company is deemed to have realized no profit and sustained no loss; accordingly, no statement of revenue and expenses is presented.

In my opinion, subject to such adjustments as would result from failure to recover in future operations the amount of 70 145 314\$ at which the rights and exploration expenditures capitalized to petroleum and natural gas properties are carried in the balance sheet, these financial statements present fairly the financial position of the Company

as at March 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Gérard Larose, c.a.,
Auditor-General.

Québec, July 2, 1980

LIABILITIES

	1980	1979
	\$	\$
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1 302 621	1 682 604
Instalments on long-term debt (note 5)	79 200	79 200
	1 381 821	1 761 804
LONG-TERM DEBT		
Advances refundable on production (note 4)	1 876 510	1 518 906
Non recourse bank loan (note 5)	139 200	218 400
	2 015 710	1 737 306
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (note 3)		
Authorized and subscribed — 2 000 000 shares of a par value of 50 \$	100 000 000	97 900 000
	103 397 531	101 399 110

The accompanying notes are an integral part of the financial statements.

SIGNED ON BEHALF OF THE BOARD

B. Cloutier

President

Fernand Girard

Vice-President

Petroleum and Natural Gas Properties Rights and Exploration Expenditures

for the year ended March 31, 1980

	Balance as at March 31, 1979	Net additions	Transfers to abandoned permits	Balance as at March 31, 1980
	\$	\$	\$	\$
CURRENT EXPLORATION PROJECTS (note 6)				
Québec	32 643 989	7 941 221	2 713 080	37 872 130
Maritimes	6 482 359	5 684 048		12 166 407
Western Canada	6 004 312	1 578 401		7 582 713
	45 130 660	15 203 670	2 713 080	57 621 250
ABANDONED PERMITS				
Québec	1 810 506		2 713 080	4 523 586
Maritimes	357 694			357 694
Western Canada	410 536			410 536
	2 578 736		2 713 080	5 291 816
GENERAL AND ADMINISTRATIVE EXPENSES	10 229 659	2 484 319		12 713 978
EXPENSES CAPITALIZED TO PETROLEUM AND NATURAL GAS PROPERTIES BEFORE THE FOLLOWING DEDUCTIONS	57 939 055	17 687 989		75 627 044
Net financial income	1 202 585	832 966		2 035 551
Net income from natural gas sales	1 691 521	790 108		2 481 629
Miscellaneous income	278 011	686 539		964 550
	3 172 117	2 309 613		5 481 730
EXPENDITURES CAPITALIZED TO PETROLEUM AND NATURAL GAS PROPERTIES	54 766 938	15 378 376		70 145 314

The accompanying notes are an integral part
of the financial statements.

Supplementary Notes

1. Constitution and Objectives

The Société québécoise d'initiatives pétrolières — SOQUIP is a state-owned Company created in 1969 by the Gouvernement du Québec for the purpose of carrying on the exploration, production, refining, marketing and distribution of liquid or gaseous hydrocarbons. Through its mandate, SOQUIP can associate with other companies or individuals to achieve its goal.

2. Accounting Policies

Petroleum and natural gas properties

The activities of the Company are in the exploration stage and all expenses less sundry income are capitalized to petroleum and natural gas properties. The Company is deemed to have realized no profit and sustained no loss; accordingly, no statement of revenue and expenses is presented.

Fixed assets

Depreciation of other fixed assets is calculated according to the constant rate of the decreasing balance (warehouses 5%, equipment 20% and mobile equipment 30%).

3. Share Capital

The share capital paid by the ministre des Finances, as at March 31, 1980, amounts to 75 200 000 \$. The remainder of subscribed share capital, 24 800 000 \$, will be paid as follows: 9 800 000 \$ during the next period, 7 500 000 \$ during the next two financial periods.

4. Advances Refundable on Production

The advances bear no interest and are refundable only by revenues from gas production resulting from investments financed by the advances.

5. Non Recourse Bank Loan

This non recourse bank loan, guaranteed by certain petroleum and natural gas properties, is refundable only by revenues from gas production of these properties and does not affect adversely in any way the Company's credit.

Statement of Changes in Financial Position

for the year ended March 31, 1980

	1980	1979
	\$	\$
SOURCE OF WORKING CAPITAL		
Share capital	11 900 000	21 600 000
Long-term debt	386 134	525 468
Proceeds from sales of fixed assets	6 879	19 695
	12 293 013	22 145 163
USE OF WORKING CAPITAL		
Petroleum and natural gas properties capitalized expenditures	15 378 376	12 261 825
Less expenses requiring no cash outlay:		
Depreciation and loss on sale of fixed assets	105 966	108 142
Working capital used for the petroleum and natural gas properties	15 272 410	12 153 683
Acquisitions of other fixed assets	1 554 348	198 811
Long-term debt reimbursement	107 730	98 650
	16 934 488	12 451 144
INCREASE (DECREASE) OF WORKING CAPITAL	(4 641 475)	9 694 019
WORKING CAPITAL AT BEGINNING OF YEAR	19 416 216	9 722 197
WORKING CAPITAL AT END OF YEAR	14 774 741	19 416 216

The accompanying notes are an integral part of the financial statements.

6. Current Exploration Projects

	Balance as at March 31, 1979	Net additions	Transfers to abandoned permits	Balance as at March 31, 1980
	\$	\$	\$	\$
Québec				
Acquisition of rights	2 561 550	197 078	228 783	2 529 845
Geological operations	1 029 830	158 398	126 122	1 062 106
Geophysical operations	5 024 152	299 909	708 523	4 615 538
Drilling operations	24 028 457	7 285 836	1 649 652	29 664 641
	32 643 989	7 941 221	2 713 080	37 872 130
Maritimes				
Acquisition of rights	292 869	(239 536)		53 333
Geological operations	113 020	3 116		116 136
Geophysical operations	2 009 686	93 082		2 102 768
Drilling operations	4 066 784	5 827 386		9 894 170
	6 482 359	5 684 048		12 166 407
Western Canada				
Acquisition of rights	3 563 746	639 797		4 203 543
Geological operations	104 902	31 446		136 348
Geophysical operations	85 942	31 859		117 801
Drilling operations	2 249 722	875 299		3 125 021
	6 004 312	1 578 401		7 582 713
	45 130 660	15 203 670	2 713 080	57 621 250

Associates, Consultants and Auditors

Joint Venture Associates

Adohr Oil & Gas Limited
Algas Mineral Enterprises Ltd.
American Ultramar Limited
Amoco Canada Petroleum Company Ltd.
Aquitaine Company of Canada Ltd.
Augdome Corporation Ltd.
Camel Resources Ltd.
Canada Cities Service, Ltd.
Canadian Occidental Petroleum Ltd.
CanDel Oil Ltd.
Cessland Corporation Ltd.
CNG Development Company Ltd.
Conventures Limited
DEB Hydrocarbons Limited
Dome Petroleum Limited
E & B Oil & Gas Ltd.
Fort Norman Explorations Inc.
Francana Oil & Gas Ltd.
Gaz Inter-Cité Québec Inc.
Getty Oil (Canada) Ltd.
Glenora Resources Ltd.
G. R. Hugo
I. C. Hart
Home Oil Company Limited
Hudson's Bay Oil and Gas Company Limited
Husky Oil Operations Ltd.
Kerr McGee of Canada Northwest Ltd.
L.L. & E. Canada, Ltd.
Many Islands Pipe Lines Limited
Mesa Petroleum (N. A.) Co.
Muirfield Developments Ltd.
Murphy Oil Company Ltd.
95319 Oil & Gas Ltd.
Orbit Oil & Gas Ltd.
Pacific Petroleums Ltd.
PanCanadian Petroleum Limited
Pan Mackenzie Petroleums Limited
Petro-Canada Exploration Inc.
Petrofina Canada Ltd.
The Proppet Investors
R.A.N. Bonnycastle
Resolute Petroleums Ltd.
Scurry-Rainbow Oil Limited
Sisque Company Ltd.
Société Acadienne de Recherches Pétrolières Ltée (Texaco Exploration Ltd.)
Star Oil & Gas Limited
Sundance Oil Canada Ltd.
The Toral Investors
Tripet Resources Limited
V. N. Stocks

Royalty Associates

Alberta Energy Company Limited
Canada Northwest Land Limited
Canden Resources Ltd.
Hudson's Bay Oil and Gas Company Limited
Oakwood Petroleums Ltd.
PanCanadian Petroleum Limited
Pennant Puma Oils Ltd.
Les Pétroles Laduboro Ltée
Ranger Oil (Canada) Ltd.
Shell Canada Limited
Shell Explorer Limited
Shell Québec Limitée
Siebens Oil & Gas Ltd.
Sisque Company Ltd.
H. Westmore Consulting Ltd.

Gas Initiatives Venture

Algas Mineral Enterprises Ltd.
Many Islands Pipe Lines Limited
Société québécoise d'initiatives pétrolières (SOQUIP)

Technical Consultants

André Galibois & Associés, ingénieurs-conseils, Québec
Béliveau, Couture, Québec
Bureau d'Études Industrielles et de Coopération de l'Institut Français du Pétrole (BEICIP), Paris
Gilbert Bourassa, Gagné, Morin & Associés Limitée, Québec
Grant Trimble Engineering Ltd., Calgary
Intercomp Resource Development and Engineering Ltd., Calgary
James A. Lewis Engineering Co. Ltd., Calgary
Jean-Jacques Lavoie, Montréal
Le Groupe IBI, Montréal
LNG Services Inc., Pittsburgh
Maheu, Noiseux et Compagnie, Montréal
Mercier, Ouimet, Masse Inc., Montréal
Michel Rousseau & Associés Inc., Québec
O'Rourke Engineering Ltd., Calgary
Zinder & Associates Canada Ltd., Ottawa

Legal Counsel

Létourneau & Stein, Québec

Auditors

Bureau du Vérificateur général, Québec:
Annual Financial Statements
Samson, Bélair & Associés, Québec:
Auditors for Associates

SOQUIP's Land Holdings in Québec and the Maritime Provinces

Legend:
SOQUIP and Associates
in Québec and the Maritime Provinces

SOQUIP 100%:	12 057 469 hectares
SOQUIP and Associates:	5 463 975 hectares
Gross Land Holdings:	17 521 444 hectares
Net Land Holdings:	14 412 014 hectares

- | | |
|--|---|
| ① SOQUIP | ⑦ SOQUIP
AMERICAN ULTRAMAR LIMITED |
| ② SOQUIP
SCURRY-RAINBOW OIL LIMITED
PANCANADIAN PETROLEUM LIMITED | ⑧ SOQUIP
DOME PETROLEUM LIMITED |
| ③ SOQUIP
AMOCO CANADA PETROLEUM
COMPANY LTD. | ⑨ SOQUIP
PANCANADIAN PETROLEUM LIMITED |
| ④ SOQUIP
SOCIÉTÉ ACADIENNE DE RECHERCHES
PÉTROLIÈRES LTÉE (TEXACO EXPLORATION LTD.) | ⑩ SOQUIP
SISQUE COMPANY LTD. |
| ⑤ SOQUIP
HUDSON'S BAY OIL AND GAS
COMPANY LIMITED
PETROFINA CANADA LTD.
GETTY OIL (CANADA) LTD.
DEB HYDROCARBONS LIMITED
TRIPET RESOURCES LIMITED
CONVENTURES LIMITED | ⑪ SOQUIP
AQUITAINE COMPANY
OF CANADA LTD. |
| ⑥ SOQUIP
MURPHY OIL COMPANY LTD.
PETRO-CANADA EXPLORATION INC.
FRANCANA OIL & GAS LTD.
HUSKY OIL OPERATIONS LTD.
L.L. & E. CANADA, LTD.
CNG DEVELOPMENT COMPANY LTD.
CANDEX DEVELOPMENT LIMITED | |



